National & City Economy Forecast Update
Fiscal 2024 Executive Plan Fact Sheet

CY 2023 Forecast

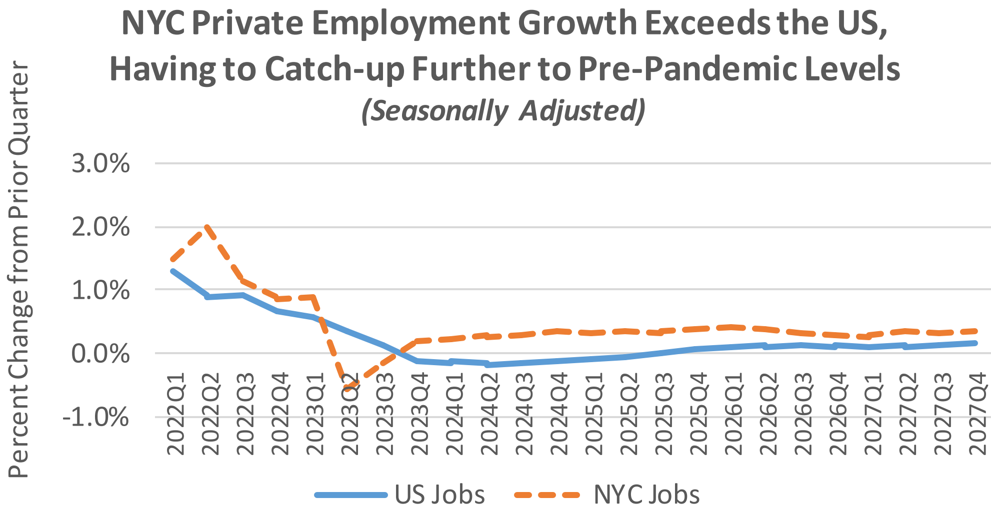
Inflation Rate
U.S.: 4.2% Avg.
NY-Metro: 4.5% Avg.

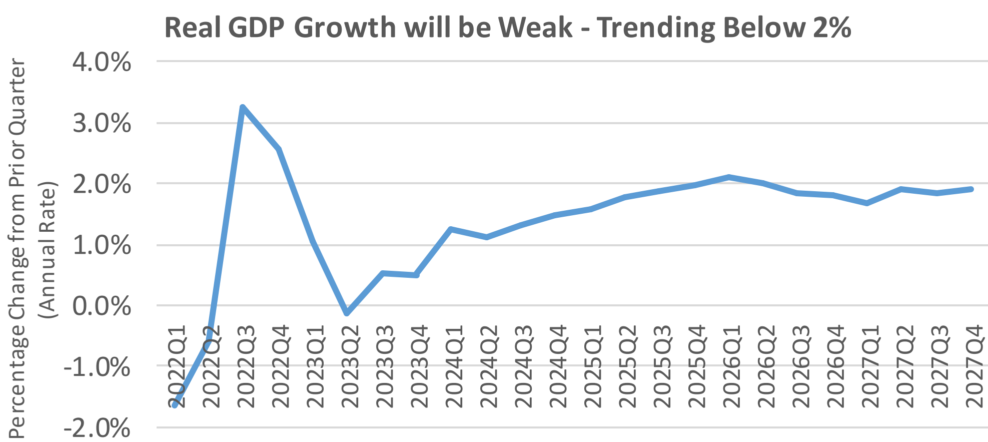
Fed. Funds Rate
4.9%

Real GDP/GCP
U.S.: +1.2% YoY
NYC: +1.0% YoY

Private Employment
U.S.: +2.0 YoY
NYC: +1.9% YoY

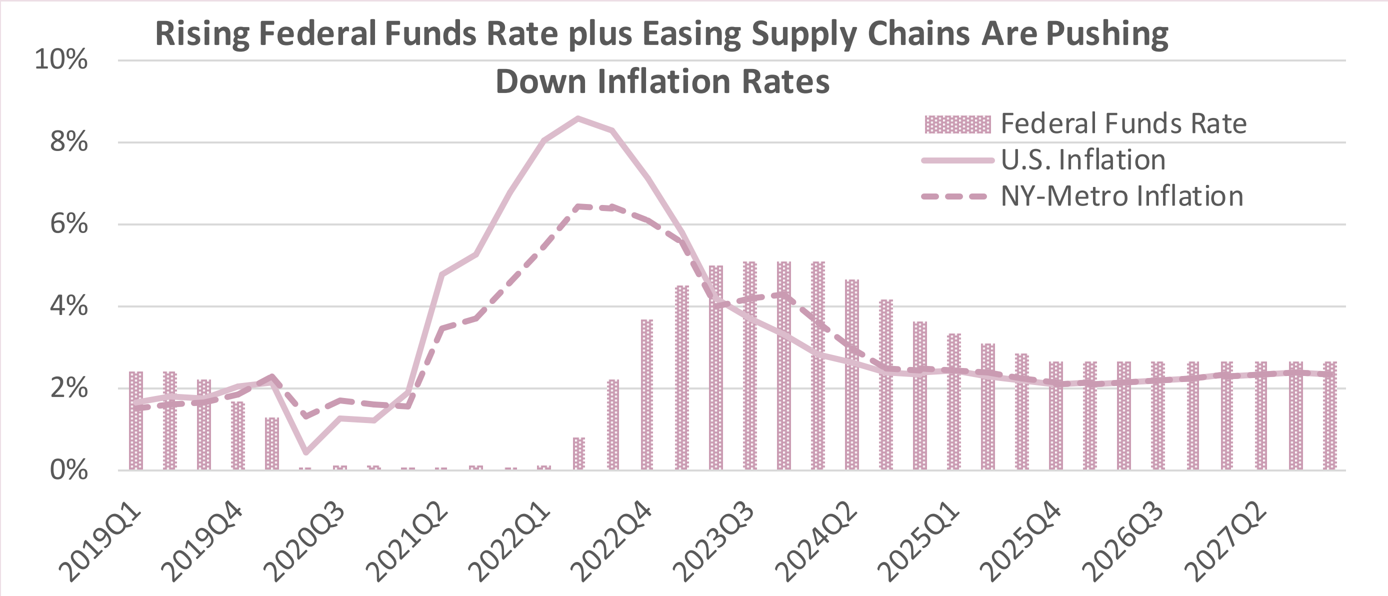
Unemployment Rate
U.S.: 3.6%
NYC: 5.5%





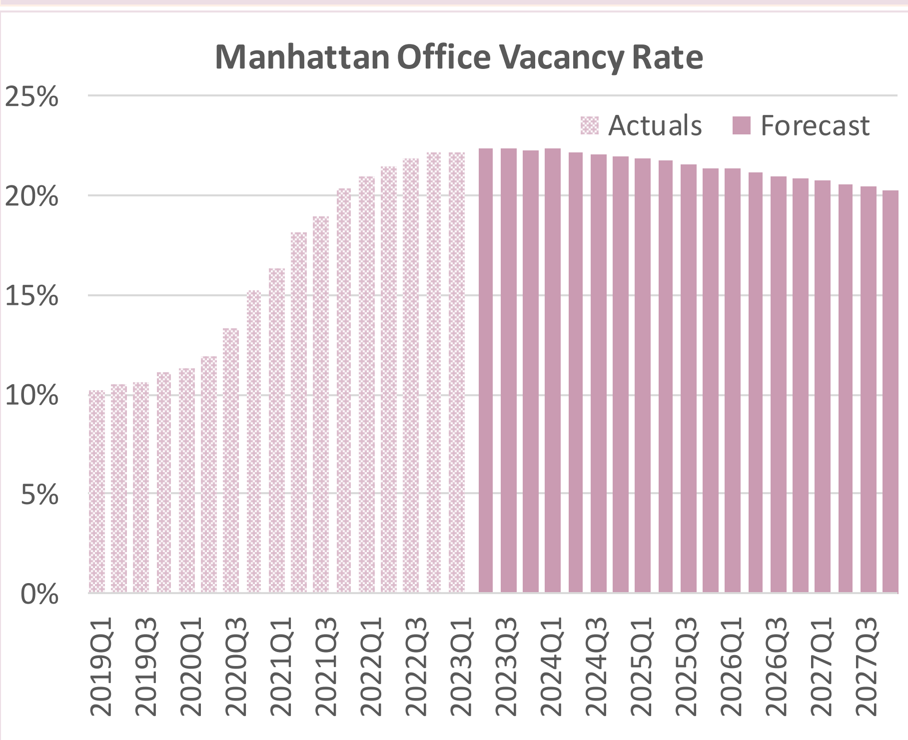
Source: S&P Global, May 2023; NYS Dept. of Labor, March 2023; Finance Division . Forecast begins in 2023 Q2.

- **The National and City economies remain resilient:**
  - Real GDP was expected to decline in Q1 of 2023, but rose 1.1% instead.
  - Private employment in U.S. and NYC grew by 0.6% and 0.9% respectively in Q1 of 2023 (seasonally adjusted)
  - Benchmark revision increased NYC private employment levels in 2022 by an average of 43,000 per month
- **Going forward, the Finance Division expects economic and employment growth to slow drastically.**
  - Real GDP will decline by 0.1% in Q2 of 2023.
  - Positive economic growth will resume after that as interest rates decline and stabilizes close around 2.6%.
  - Private employment in the U.S. will experience negative quarter-over-quarter growth from Q4 of 2023 to Q1 of 2025.
  - NYC, on the other hand, will lose a mere 29,000 jobs in Q2 and Q3 of 2023.



Source: S&P Global, May 2023.
Forecast begins in 2023 Q2.

- The Federal Reserve has gradually raised the federal funds rate to fight persistent high inflation.
    - The Federal Funds Rate has gone from 0.08% in Feb. 2022 to 4.8% in April 2023.
- Since peaking in Q2 of 2022, inflation in NYC and the rest of the country has been continuously declining – a direct effect of rising interest rates.
- Going forward, consumer prices in the NY-Metro Area and the rest of U.S. will continue to decelerate, and settle between 2% and 2.5% starting Q3 of 2024.
- The Feds will continue to raise the federal funds rate until it plateaus at 5.1% from Q3 of 2023 to Q1 of 2024, but then drop to around 2.6% by the end of the forecast period as inflation stabilizes.



Actuals are from Cushman &Wakefield. Forecasts are from the Finance Division.

- Office vacancies in Manhattan remain a major risk for the City.
- With the move towards remote work since COVID, the office vacancy rate in Manhattan has doubled between Q4 of 2019 and Q1 of 2023.
- The Finance Division expects the vacancy rate to remain above 20% through the end of 2024.
- This would severely impact local retail and food services that rely on the patronage of office workers.
- It would also hurt office values and, in turn, the City's property taxes.